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CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet military intentions concerning Turkey: The Soviet Union's plans for eventual occupation of Turkey, [REDACTED]

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25X1X [REDACTED] do not involve plans for full-scale military attack. Several simultaneous moves would be made, however, including invasion and annexation of the Western coastal region of the Bosphorus and Istanbul, invasion near Samsun, and a parachute drop near Ankara. The Dardanelles would then be closed to all traffic excepting Soviet vessels. These revelations of [REDACTED]

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25X1X [REDACTED] also revealed that intelligence requirements [REDACTED] asked for such information as Turkish Black Sea fortifications, radar installations, troop concentrations and communications. [REDACTED]

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Comment: Other reports have been received concerning intelligence requirements [REDACTED] involving detailed questions not only on Turkish military and industrial development, but requiring similar information on the Arab area, Greece and Iran. The Czechs have also shown intelligence interest in such areas as the Rhine valley and Belgium (See O/CI Daily Digest, 10 Oct 51)

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2. ALBANIA. Yugoslavs report Albanian air force at 21 planes: [REDACTED] has informed [REDACTED]

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25X1X [REDACTED] that there are 21 or 22 Soviet military aircraft in Tirana -- conventional engined YAK-9 fighters and ground attack Stormoviks. He maintained, however, that there had been no increase in the number of anti-aircraft batteries. (S Air Att Belgrade IR-71-51, 23 Aug 51)

25X1X Comment: [REDACTED] first reported two YAK-9 aircraft flying over Tirana in March 1951. As of 4 May, US Air Force intelligence estimated that these two aircraft were the only operational military planes in Albania, although it was noted that other unassembled planes probably had arrived. [REDACTED] report may be correct as the USSR has sent Soviet-manufactured aircraft to all the other Satellites.

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3. BULGARIA. Pirinski elected to Peace Committee: A Bulgarian Home Service broadcast reports that on 5 October Georgi Pirinsky, "noted fighter for peace who recently returned to Bulgaria from the United States," was elected first Vice-Chairman of the National Committee for the Defense of Peace. (R FBID Ticker, 9 Oct 51)

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Comment: Pirinsky, former Secretary of the Congress of American Slavs, was deported from the United States in August. He was well received in Warsaw and Prague before his arrival in Sofia on 3 September.

4. CZECHOSLOVAKIA. One of the best hospitals taken over by the army: The 2000 bed hospital at Hradec Kralove has been taken over by the army, according to [REDACTED] Several of the hospital's leading politically reliable physicians and surgeons have been granted commissions up to and including the rank of general. The hospital, affiliated with Charles University, is reported to be one of the best in Czechoslovakia.

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Comment: This move may be an effort to increase the army's facilities as a result of armed force strength increases last spring.

5. HUNGARY. More industrial plants to be grown: An ambitious program for producing certain industrial plants heretofore not grown in Hungary is now underway in that country. By the end of 1954, the Five Year Plan calls for growing cotton on 200,000 acres of land, rubber on 5,000 acres, kenaf fiber plant on 5,000 acres and oil seed plants on a large scale. (R FBID, 29 Aug 51)

Comment: Such plans are still in the experimental stage. The production of cotton is nevertheless being increased. A drawback to growing kenaf, a fibrous plant of Indian origin used in making cloth, is the large number of people needed to harvest it; the development of a mechanical harvesting process would revolutionize the kenaf industry.

6. POLAND. Antiaircraft guns noted around Warsaw: The US Military Attache in Warsaw reports that 85 mm gun emplacements complete with fire control installations are now being developed in a circle around Warsaw. (S MA Warsaw 192-51, 9 Oct 51).

Comment: The tactical emplacement of antiaircraft guns around Warsaw was first reported in mid-September 1951. The number of 85 mm antiaircraft guns reported in the vicinity of Warsaw has grown from 4 to 60 between April and July of 1951.

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SECTION 2 (EASTERN)

1. BURMA. Withdrawal of Nationalist troops from Burma requires Thai or French cooperation: The US Embassy in Rangoon reports that, although the Burmese Government would be "delighted" to have all Chinese Nationalist troops withdrawn from its territory, the withdrawal must be accomplished without antagonizing the Chinese Communists. Thus, the troops would have to be conducted to the Thai or Indochinese border ostensibly as a retreat before the Burmese Army. The Embassy points out, however, that both the Thai and the French have been reluctant in the past to allow the entry of Nationalist forces into their territory. (S Rangoon 356, 9 Oct 51)

Comment: The Thai might be persuaded to alter their position. The French, on the other hand, may be expected to insist on internment if the Chinese enter Indochina.

It may be inferred, however, from an apparently lessened Burmese concern over the presence of the Nationalist troops that they are not now presenting the problem they did before their rout from Yunnan.

2. INDONESIA. Overseas Chinese activity in Southeast Asia allegedly to be directed from Djakarta: [REDACTED] have reported the appointment of Fei Chen-tung to the staff of the Chinese Communist Embassy in Djakarta. [REDACTED] he has been named head of overseas Chinese in Southeast Asia. The [REDACTED] he has been designated the principal planner of Chinese Communist subversive activities in Southeast Asia. Fei was formerly a leading member of the Chinese Communist in Medan, Sumatra, but was expelled from Indonesia by the Dutch in 1948. [REDACTED]

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Comment: These reports are unconfirmed [REDACTED] There are no reliable indications that the Chinese Embassy in Djakarta has become or is intended to become the hub of activity among overseas Chinese in Southeast Asia.

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3. CHINA. Communists build gun positions near Hong Kong: [REDACTED] the Chinese are constructing gun positions at three sites in the Pearl River estuary near Hong Kong. Each position has emplacements for four guns. When completed, these gun positions will enable the Communists effectively to close the mouth of the Pearl River to any vessel not capable of shooting its way through. [REDACTED] are convinced that the planning and supervision of construction [REDACTED]

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have been done by Soviets. (S USARMLO Hong Kong 060014Z, Oct 51)

Comment: Recent shellings of Western-flag merchant vessels in these waters indicate Communist sensitivity to the approach of foreigners to these sites. Reports from other sources indicate continued interest in a variety of defensive measures in the area opposite Hong Kong.

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Relations between Soviet and Chinese Communist Parties are outlined:

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[REDACTED] characterizes the relationship of the Soviet Communist Party (CPSU) to the CCP as that of a "benevolent, experienced advisor." [REDACTED] the CPSU never issues instructions to the CCP, but makes "suggestions." On major issues, the CCP Politburo requests advice from the CPSU before acting; on more routine matters, the CPSU merely comments upon decisions already made by the CCP.

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[REDACTED] believes that the system of controlling the CCP by "suggestion" succeeds principally because the CCP has been infiltrated by pro-Soviet elements such as the non-Communist parties of the Peiping regime have been infiltrated by the CCP. Soviet control over the CCP is further facilitated by an espionage system involving the Soviet Embassy, the various Soviet advisory-technical missions, and Soviet agents in the Chinese intelligence apparatus.

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[REDACTED] believes that the Soviet advisers play a "key role" in Soviet techniques for controlling Peiping. In addition to acting as the liaison channel for the CPSU's "suggestions" and as a Soviet intelligence arm, these advisers are apparently attached to almost all vital parts of Peiping's military-economical-political apparatus.

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Comment:

[REDACTED] this account appears to be generally correct. The relationship of the CPSU to the CCP is certainly more complex than that of master to slave. It is probable, however, that "infiltration" of the CCP has been less important than the Stalinist orientation of the present CCP leadership. The voluntary acceptance by CCP leaders of the Soviet world-view--additionally impelled by Peiping's inexperience in both domestic and foreign affairs--remains the principal reason for the CCP's high receptivity to Soviet "suggestions."

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It is of course true that the USSR is developing a system of controls in Communist China to prevent the Peiping regime from leaving the Soviet orbit if it should ever desire to do so. Major elements in this military-economic-political system of controls are, [REDACTED] the presence of Soviet agents in the CCP and in the regime's intelligence organs, the activity of the Soviet Embassy, and the operations of the more than 15,000 Soviet advisers and technicians in China.

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5. Peiping increases farm taxes: "Stupendous expenditures" have made it necessary to raise land taxes in Communist China, according to

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a Peiping publication cited by the New York Times. The publication points out that these taxes will have to remain the chief source of government income. The increased revenue is said to be needed to fight the Korean war, bolster national defenses and carry out necessary key construction. (U New York Times, 10 Oct 51)

Comment: Peiping began collecting higher agricultural taxes after the June harvest. The Chinese Communists have in the past used effective methods to collect the full tax quota from farmers. It is probable, although no evidence has yet been reported, that there will be considerable rural opposition to the new tax rates.

6. Communists describe defects in land reform: A description of land reform problems in an average hsiang, an administrative unit composed of several villages, appears in a recent Central China newspaper.

The newspaper reports that landlords in this hsiang have not been "basically eliminated" nor have the poor peasants been "basically mobilized." For example, only three of the ten landlord-despots in the hsiang were captured and "struck down," the rest managing to escape. A number of landlords have escaped liquidation by buying protection or being misclassified as "rich peasants" or "middle peasants."

The Peasants' Association, which under the guidance of the Communist cadres is supposed to effect the reform law, has only a small, unenthusiastic membership in this hsiang, according to the report. As a whole peasants are indifferent toward "political questions," and many sympathize with and protect the landlords.

The cadres, described as corrupt, "impure and incompetent," have unfairly distributed land, usually reserving fertile fields for themselves and their relatives. In the process, the cadres have taken most of the fertile land of the middle peasants, who comprise 33 per cent of the hsiang population. (U Hankow, Chang Chiang Jih Pao, 28 Aug 51)

Comment: These problems are probably typical of the land reform effected throughout South and Central China in the past year. This reform was too hastily carried out, and its implementation suffered from the fact that its earlier objective of stabilizing rural society was changed in late 1950 to one of eradicating actual and potential anti-Communist elements.

7. KOREA. Presence of heavier Soviet-type tanks accepted in Korea: On the basis of UN pilot sightings in the Pyongyang area since 1 October, the US Far East Command has accepted the presence in Korea of enemy armor heavier than the now-familiar T-34. Observing that these tanks are probably organic to the Chinese Communist forces, FECOM states that they are probably

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Joseph Stalin I's and II's rather than the new Joseph Stalin III. The possibility that the Joseph Stalin III may be employed for testing is not to be discounted entirely. (S CINFE Telecon 5243, 10 Oct 51)

Comment: Although the Joseph Stalin I and II tanks -- now superseded in the Soviet Army by the Joseph Stalin III -- mount a larger gun than their UN counterparts (122 mm, compared with 90 mm) their underpowered engines and the difficulties of the Korean terrain will do much to counter their effectiveness. In sufficient number, however, these tanks will form an important addition to the lightly-armored Communist forces in Korea.

8. Caucasian troops again reported in North Korea:

25X1C [redacted] learned from inhabitants of North Korea that 5,000 Caucasian troops (believed Russians) with 80 to 100 T-34 tanks were at Hamhung in late September. During the same period "10,000 Caucasian mechanized troops equipped with tanks and heavy artillery were between Yangdok and Songchon" across the peninsula in northern Korea. On 28 September "600 European troops in Chinese Communist uniforms were moving from Pyongyang" southward. 25X1A

Comments: While the figures in this report are probably exaggerated, it is further evidence of the considerable number of Soviet military personnel currently believed to be performing rear area functions in North Korea. These troops may total as many as 20,000.

The "Caucasians" referred to as operating tanks are probably Soviet military personnel delivering armor to the Chinese Communists and North Koreans.

9. North Korean political officers to be subordinate to Chinese Communist opposite numbers due to bad rear area conditions:

25X1C [redacted] claims to have learned from North Korean army officers and government officials in Pyongyang that North Korean political officers in tactical units are to be subordinate in the future to Chinese Communist political officers. 25X1C

This decision was made at a 13 September high-level Chinese Communist-North Korean conference in Pyongyang. The North Koreans stated that since the entry of the Chinese Communist Army into the Korean war, the North Korean political line had been ignored by Chinese Communist political officers in the front-line units, and that pro-Chinese Communist officers had infiltrated the North Korean Army political ranks. The Chinese Communists argued that since "North Korea was near collapse and unable to meet Communist requirements,"

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Chinese Communist political officers should occupy a role superior to North Korean political officers.

The North Koreans allegedly were forced to accede to the Chinese decision for the following reasons: (1) desertions in the North Korean Army are at a high level; (2) "equipment" for the North Koreans is unavailable; (3) the Chinese Communists are obviously preparing to terminate the war with a negotiated peace; and (4) the "morale of the North Korean civilians is at the lowest ebb with the coming of the winter." The last reason was amplified with the statement that civilians would welcome a Communist defeat and that six "riots" had occurred in the Pyongyang area prior to 15 August. [REDACTED]

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Comment: Although it is entirely possible that such a conference took place with the resulting decision, the fact remains that the "political line" comes from the Soviet Union itself and probably becomes a matter of interpretation at the lower level.

The references to the "high rate of desertion" and the riots in North Korea lend weight to previous reports of discontent and want among the North Korean population.

10. JAPAN. Government defers decision on acquisition of property by the USSR: The Japanese Foreign Office has deferred decision on an application of the Soviet Member, Allied Council for Japan, to acquire property in Japan for diplomatic purposes. The Foreign Office has taken the position that since the future of USSR diplomatic relations with Japan is undecided, and the status of the Office of the Soviet Member is clear only under the Occupation, the acquisition of property must likewise be deferred. (C Tokyo 330, 30 Aug 51)

Comment: The Allied Council for Japan will theoretically be dissolved with the end of the Occupation, thus leaving the Soviets without any legal basis for the continued operation of the Office of the Soviet Member.

This application, made last summer during the peace treaty negotiations, may be an indication that the Soviets intend to maintain their diplomatic representation in Japan after the Occupation ends by one means or another. It may also be indicative of a stiff attitude on the part of the Japanese in future diplomatic relations with the Soviets.

11. Soviet member of Allied Council protests Communist purge: The Soviet member of the Allied Council for Japan demanded at the

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Council's 10 October meeting that the Japanese Government reinstate four Communist members of the Diet who were recently arrested and purged. The Soviet representative's charges that the purge violated basic human rights was unanimously rejected by the other Council members, who agreed that they had no authority to review action taken under a SCAP-directed ordinance. (R FBID Tokyo Central News, 10 Oct 51)

Comment: The ease with which the Japanese Government purged eighteen top-echelon Communist leaders, including four Diet members, despite lack of sufficient evidence to follow through with court action, aroused some misgivings even in the conservative press. The Government is currently contemplating the enactment of a permanent law to replace the SCAP purge directive.

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SECTION 3 (WESTERN)

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1. GERMANY. [REDACTED] sees Communist confusion in unity debate: Commenting on the Grotewohl-Adenauer exchange of proposals for all-German elections, [REDACTED] remarked that the Grotewohl proposal had created uneasiness in West Germany and would delay rearmament there, thus achieving one of the USSR's major goals. He added, however, that Adenauer's counterproposal had caused great confusion among leaders in the Socialist Unity Party who had not been provided with an appropriate reply by Moscow, and he said that "the comrades are very agitated because they are so poorly informed concerning Moscow's intentions."

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25X1C      Comment: [REDACTED] frequent garrulous commentaries on East-West relations have never seemed to be more than his personal opinions. His remarks concerning the Socialist Unity Party's ignorance of Moscow's intentions probably reflects his own pique in that he, [REDACTED]

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2.      Comments on economic situation and expected cash crisis: Despite a seasonal lull, West Germany's economic situation continued, by and large, to be favorable in midsummer. In August, West German exports hit a new postwar record of 315 million dollars, and imports increased, running to 284 million dollars. Bonn improved its position in the European Payments Union, compiling a surplus of 51 million dollars and reducing its cumulative deficit. Consumer prices were no longer rising, employment rose somewhat, and the end-of-August unemployment figures were the lowest for that time in the past three years. The industrial production index, although it fell off three points in July due to coal and raw material shortages, was not markedly different from previous high levels attained this year. Hard coal and steel production both sagged moderately.

It is noteworthy that as Germany has improved its EPU position, that of the UK has declined, giving rise to the presumption that German exports are beginning to obtain an edge over British exports in the EPU area. The competition is apparently stronger in overseas markets, for example, in Latin America, than in Western Europe.

On the financial side, Germany is probably headed for a cash crisis around the end of the year. This stems from the fact that Finance Minister Schaeffer has not provided in his budget for about 400 million dollars now being disbursed as occupation expenses. He is considering asking the Occupation Powers for permission to tap three US and UK mark accounts.

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3. FRANCE. Communists and Gaullists can profit from cantonal elections: The US Embassy in Paris cautions against any inference from press reports that the French cantonal elections held on 7 October clearly indicated important losses of popular support for the Communists or the Gaullists. Elections were held in only half the cantons of France; none were held in the Paris region where both extremes are strong; and the Gaullists ran candidates in only about 40 percent of all the contests.

Nevertheless, the marked shift to the right in these elections can be expected to stiffen the government's reluctance to make concessions to induce the Socialists to re-enter the coalition. (R Paris 2070, 8 Oct 51)

Comment: Although the Communists received only about 24 percent of the popular vote, compared to their 26.5 percent in the June national elections, they can still boast of being the largest French party. Furthermore, the apparent sharp drop in the Gaullists' share of the popular vote as well as the strong showing of the right-wing parties in the present government, may make it expedient for the Gaullists to join later in a coalition government.

The Embassy has recently estimated that the long-term prospect is for a more rightist government, but believes the Pleven government is likely to remain in power through 1951 and that the majority of its members prefers to strive for the re-inclusion of the Socialists.

4. Non-Communist journalists' unions sponsor new international organizations: The three journalists' unions affiliated with the major non-Communist French labor confederations have just invited all European and North American journalists' unions to a conference in Paris from 12 to 14 October. The unions will discuss a new confederation in opposition to the Communist-dominated International Organization of Journalists (IOJ). Such collaboration has hitherto been considered so difficult to attain that previous journalists admitted to membership only one such union from each country.

The October meeting is expected to lead to a world congress early in 1952 when the new international will actually be formed. (C Paris REPTO 5017, 4 Oct 51)

Comment: Success in this venture would do much to encourage co-operation among non-Communist labor organizations in France, where national labor leaders have actively discouraged grass-roots unity-of-action developments. The Communists have had a monopoly of the international representation of journalists, particularly in the UN, since 1947 when they captured the IOJ largely as a result of indifference and lack of preparation on the part of the non-Communist affiliates. The latter have since withdrawn from IOJ membership.

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5. AUSTRIA. US correspondents admitted to Soviet Zone: Soviet authorities in Vienna have approved the applications of two US newspapermen of the United Press to visit towns within the Soviet Zone for the period 8 to 11 October. The important cities of Wiener Neustadt, Baden, and Eisenstadt are included in the approved itinerary. This approval, the first such permission granted in recent years, follows US action in granting Soviet newspapermen access to the city of Salzburg in the US Zone. (S Vienna 1282, 9 Oct 51)

Comment: This favorable treatment of the applications was not anticipated by US officials and correspondents in Vienna (see OCI Daily Digest, 8 Oct 51). It would be premature to conclude that the Soviet move indicates a generally liberalized attitude in the matter of access to its zone. It does, however, suggest that the Soviet authorities regard travel restrictions imposed on US citizens who desire to transit the Soviet Zone to the British Zone as a question for bargaining.

6. NETHERLANDS. The Dutch are sensitive to Big Power action on Middle East Command structure: The Dutch NATO deputy has submitted two working papers representing the Dutch Cabinet's thinking on the Middle East Command (MEC) and its relationship to NATO. The same official had previously indicated his personal belief that the Dutch Foreign Minister "had backed down too quickly" on his insistence for pre-consultation with the smaller nations prior to any contact with Turkey.

One of the working papers gives the "background thinking" of the Cabinet, and poses the important question of Turkey's and the MEC structure's political relationship to NATO, pointing out that the Standing Group had considered only the military relationship. The Dutch suggest as indispensable a working-level operation between the top political organs of NATO and the MEC, pointing out that it is "difficult to see" how the Standing Group can "receive harmonized political guidance" otherwise.

The US NATO deputy comments that, although Dutch insistence on pre-consultation may not be so strong as it was at the Ottawa Conference, the Netherlands and "probably other smaller countries" expect a voice on the MEC arrangements and "will be very sensitive" on a seeming "too fast and firm action" as a result of the forthcoming talks with Turkey. (S London 425, 6 Oct 51; TS London 424, 6 Oct 51)

Comment: The Netherlands' sensitivity on the growing loss of a voice in major decisions directly affecting its interests has been increasingly apparent. The Dutch position may be supported by Norway and Denmark, which likewise resent being by-passed in important matters.

The Dutch member of the recently formed Temporary Council Committee has complained that, since his appointment, he has not been officially

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informed on the proposed "operation-wise men," whose intense preparations have been leaked to the press. Furthermore, he has expressed his concern over the rumored domination of the Committee by the "Big Three."

7. ITALY. Communists caught off guard by US announcement of Soviet atomic explosion: President Truman's recent announcement of the USSR's second atomic bomb explosion caught the Communist press completely off guard. Unita referred to the announcement as a "stinking provocation." The same paper subsequently gave front page coverage to Stalin's interview on the explosion and to Vishinsky's plan for atomic control under the headline: "Support These Peace Proposals." (C Rome 1618, 8 Oct 51)

Comment: This is not the first time that the Communist press has apparently failed to receive advance notice of important Soviet developments or at least instructions from Moscow as to the line to follow in propagandizing them. Absence of comment by Communist leaders on Malik's peace proposal of last June suggested at the time that the party leadership was uncertain as to the best method for exploiting the proposal and was awaiting instructions from the USSR (see OCI Daily Digest, 30 Jun 51).

8. Italian Social Movement seeks closer cooperation among European Fascists: The leaders of the neo-Fascist Italian Social Movement (MSI) have been intensively developing relations with similar organizations and isolated neo-Fascist personalities outside of Italy. Special attention is being given to organizing rightist elements in collaboration with groups in Austria, Germany, and Spain. In the South Tyrol region of Italy strong nuclei of former Austrian, German, Italian and French Nazi-Fascists are prepared to form a Fascist International.

The movement's center, located in Rome, is a contact point for Nazis living in Mediterranean countries and for SS elements in Germany. It also offers safe haven to individuals who are not safe in Austria or who are destined for Spain or South America and are transiting Rome. The group controlling the center is opposed to any alliance between the MSI and other Italian rightist parties. It seeks to promote an understanding between the MSI, the Catholic clergy and isolated Fascist elements, and military and informational contacts with similar movements in other countries. [REDACTED]

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Comment: A conference of representatives of European neo-Fascist organizations, including the German and Swedish neo-Nazi leaders, reportedly took place the middle of July 1951 in the Milan office of the MSI newspaper. They declared themselves in favor of closer cooperation between the various groups. Toward the end of September a similar group of representatives, including MSI and former Nazi SS elements, allegedly attended a meeting of the European Social Movement in Spain for the purpose of organizing a Pan-European Movement.

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9. Leader of "left-wing" Christian Democrats resigns from party directorate: The recent meeting of the Christian Democratic National Council in Rome was marked by the resignation of Giuseppe Dossetti from the party directorate. The independent (conservative) press reacted in diverse ways. Tempo declared it is too early to believe Dossetti's resignation means a growing supremacy of right-wing elements within the Christian Democratic Party, but added that it is possible that the "approaching end" to the Christian Democrats' "mandate" is driving some elements within the party to demand the "fulfillment of promises which the country has a right to expect." Italia commented that the resignation was no surprise, in view of the fact that the Dossetti "trend" has "disintegrated and lost its influence." Corriere della Sera, on the other hand, announced that to think Dossetti's resignation means the death of his movement is a mistake, because "it has put forward methods and ideas too progressive and up-to-date to be ignored." (R Rome Radio, Italian Home Service, 9 Oct 51)

Comment: This is the second time Dossetti has resigned from the directorate as the result of dissatisfaction with party policies. The resignation undoubtedly does reflect fear of a rightist trend in the Christian Democratic party and apprehension that its long-awaited socio-economic reform program is not going to be carried out. Disintegration of Dossetti's devoutly Roman Catholic social reformist movement would add to the strength of rightist currents in the Christian Democratic Party, which oppose redistribution of land and other goals embodied in its program. The present Minister of Agriculture, Fanfani, is a member of the Dossetti group but has shown little proclivity for achieving agricultural reform. Tempo's remarks regarding the "approaching end" to the Christian Democrats' "mandate" undoubtedly refers to the decline in popular support for the party indicated by the spring series of local elections.

10. Italians present 1951-1952 balance of payments forecast: The Italian trade forecast for fiscal year 1951-1952 is the most realistic presented to date and indicates an over-all balance of payments deficit of 215 million dollars. A continued surplus in balance of payments with the non-dollar area seems probable. However, the dollar balance of payments deficit is projected at 332 million dollars. (S Rome Joint Weeka No. 40, 5 Oct 51)

Comment: This new balance of payments forecast scales down considerably previous Italian estimates. Nevertheless, the Italian balance of payments position is still not so poor as is indicated by the figures presented. The considerable dollar deficit will likely be overcome by 163 million dollars in direct economic assistance, US off-shore purchases for military equipment in Italy, and US funds provided to support the Italian military effort. Furthermore, although the terms of trade were developing unfavorably for Italy during the beginning of 1951, a slackening of world-wide inflationary trends has improved the Italian trade position.

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11. NORWAY. Comment on Norwegian provision of base rights to US: Negotiations with Norway for US operating rights at Norwegian air and naval facilities are gradually nearing conclusion. A blanket agreement providing for joint US-Norway maintenance and expansion of certain air and naval bases, as an implementation of NATO obligations, to which will be appended secret annexes specifying the exact degree of US participation is presently envisaged. The Norwegian authorities are anxious to prepare the facilities for effective immediate use by NATO forces in the event of war and are therefore willing to arrange for US operations at the airfields and naval facilities for "training purposes" now. However, at the same time, the Government insists that the agreement, which will require the ratification of the Storting (Parliament), must not violate Norway's often reiterated policy against foreign peacetime bases.

In reply to a note questioning Norwegian adherence to NATO, Norway assured the Soviet Government in February 1949 that Norway would "never join in any agreement...that contains obligations...to open bases for the military forces of foreign powers as long as Norway is not attacked or subjected to threats of attack." In line with the standard Soviet practice of intimidation and official protests for the record, the Soviet Government can be expected to protest the conclusion of an agreement as a violation of Norway's commitments and an unfriendly act toward the USSR. Presentation of the agreement to the Storting will occasion considerable debate over whether it contravenes government policy; but Soviet protests will have little influence, since the Norwegian Government has consistently refused to be deterred by Soviet maneuvers.

12. Labor Party gains in municipal elections: Returns from the election of municipal council representatives in Norway on 8 October show substantial gains for the Labor Party. This party received 46.4 percent of the vote, as opposed to the 38.8 percent and the 45.8 percent they received in 1947 and 1949 respectively. The Communist Party lost heavily in terms of council seats, and its popular vote was reduced from 100,000 in 1949 to 89,000 in this election. However, although polling 6.6 percent of the vote as compared to 10.1 percent in the 1947 municipal elections, the Communist Party percentage was nearly 1 percent greater than in 1949. (U Paris, French News Agency, 10 Oct 51)

Comment: The substantial gain in popular vote for the Labor Party in this election is a continuation of its increased popularity as reflected in the 1949 general elections. The increase in its representation on municipal councils insures Labor even greater influence in local government affairs. Although no major domestic or foreign policies were at issue in this election, the returns show continued confidence in the Labor government which has been in office since 1945.

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The Communist loss of seats will reduce Communist Party influence in local affairs appreciably. However, discounting the nearly 1 percent increase in popular vote as a reflection of radical dissatisfaction in local matters, the percentage of vote polled indicates that there has been no loss in Communist popularity since 1949. Communist influence decreased sharply between 1945 and 1949, but retention of voting strength during the past two years, despite world developments, and anti-Communist efforts of the Labor Party and trade union leadership, indicates that the Communist Party's electoral strength has reached its nadir.

13. CUBA. Communist program to train future leaders: In reply to an inquiry by a US Embassy official regarding the extent to which Communists were infiltrating labor unions, Vincente Rubiera, prominent Cuban labor leader, replied that they were making many attempts but not achieving much progress at the present time. He stated, however, that he was very much concerned about their plans for the future. Indicating that a group of 22 "second-class" Communist leaders recently went to Europe for training, he added that approximately 30 more young Cuban Communists, most of whom had gone there during the past six weeks, were there now. Rubiera said that apparently these leaders are being scattered throughout Europe since, during a recent trip, he ran into young Cuban Communists in Milan, Rome, and Paris. According to him, the Communists have set up a long-range program for training promising young leaders in Europe. They plan to continue the training program, lasting from a few months to a year or two, by having a continual flow of prospective leaders moving in and out of Cuba at the rate of ten or twelve monthly. (C Havana 357, 29 Aug 51)

Comment: [REDACTED] one of the principal matters discussed by Louis Salliant and Maurice Carroue, WFTU officials, while they were in Cuba on their Latin American trip (29 April to 16 May), was the attendance in Italy of a large delegation of workers' leaders of the "second-class," as part of a program for their later elevation to "first-class" labor leaders. A subsequent report indicated that 21 Cubans departed from Havana on 25 July on a KLM flight to Amsterdam. It was believed that the majority of them -- and perhaps all of them -- were Communists and, in all probability, were members of the group of "second-class" labor leaders.

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SECTION 2 (EASTERN)

1. IRAN. Security Council may further postpone meeting on Anglo-Iranian dispute: British UN delegate Jebb is seeking delay of the next UN Security Council meeting in order to ascertain whether Turkey, India and Yugoslavia would co-sponsor the draft resolution on the British-Iranian oil dispute recommended by the United States and Great Britain. After he was informed that Brazil, India and the US would prefer to postpone the meeting, Jebb agreed that if the necessary seven votes were obtained by 12 October he would inform London that he proposed to request a meeting for 15 October. (S, New York 442, 9 Oct 51).

Comment: The draft resolution calls for early resumption of British-Iranian negotiations in accord with the principles of the International Court provisional measures, or alternatively for a mutually acceptable settlement consistent with the principles of the UN charter. Since India and Yugoslavia apparently desire to see negotiations resumed, they may co-sponsor the resolution. Postponement of the Security Council meeting, however, may offer some hope for reaching a negotiated settlement.

2. INDIA/IRAN. India's attitude toward the Anglo-Iranian dispute: A high Indian official has informed the US Charge in New Delhi that India approved Britain's step in taking the Iranian oil question to the UN Security Council. He also asserted that India had previously assured Britain of its support for any Security Council move calling upon Iran to cancel the order expelling British nationals from Abadan. India could not, however, support a proposal upholding the International Court of Justice interim decision in detail, since India considers the latter to have been superseded by certain agreements reached during the course of Harriman's mediation efforts. (S, S/S New Delhi 1234, 4 Oct 51).

Comment: The International Court ruled that no measure should be taken to hinder the operations of the Anglo-Iranian Oil Company, and that the management of that company should continue to direct operations under a five-man Board of Supervision including members chosen by both Britain and Iran.

India's desire to insure regular delivery of its oil supplies, 95 per cent of which are imported, may outweigh its natural inclination to defend Iran's assertion of national sovereignty. India might therefore be persuaded to vote for a resolution calling for negotiations leading toward the resumption of oil operations under some type of temporary management.

3. INDOCHINA. Chinese internees deemed of little value to Taipei government: A Chinese source has transmitted to the US Legation an eyewitness account

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of the restlessness among the Chinese Nationalist troops interned in South Vietnam. The source states that some 200 of the internees have joined the Viet Minh during the past six months. With regard to possible disposition of the 30,000 internees, the Legation comments that most of them left China almost two years ago and would have little combat or espionage value without considerable further training. (C, S/S Saigon 790, 8 Oct 51).

Comment: The French have continued to resist Chinese Nationalist pressure to repatriate these troops to Formosa.

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